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SUBJECT: ITALY POSITIVE ON U.S.-EU AIR SERVICES AGREEMENT

REF: SECSTATE 219034

1. Summary: Officials at the Italian Ministries of Transport and Foreign Affairs say Italy will be supportive of the U.S.-EU Air Services Agreement, provided the Department of Transportation follows through with proposed rule changes. End summary.

2. Econoff delivered reftel points to Maria Cristina Francolini, Director of International and EU Relations in the Ministry of Transport's Directorate for Maritime and Air Transport. Francolini said the GOI was very "positive" about the draft U.S.-EU air services agreement. She indicated Italy would probably support the deal in the EU Transport Council, provided the United States adopts the Department of Transportation's proposed rule changes regarding foreign participation in U.S. carriers. Francolini said that, for Italy, the rule changes convey an important political signal that the United States is moving towards greater openness. As a practical matter, however, Francolini noted that no Italian airline is in a financial position to invest in the United States at this time.

3. Francolini added that, because the GOI already has a bilateral open skies agreement with the United States, the U.S.-EU accord would have very little impact on Italy. However, the GOI welcomes completion of a first-stage U.S.-EU open skies pact, since this will eliminate problems related to the European Court of Justice's rejection of all member-state bilateral open skies agreements.

4. Econoff also delivered reftel demarche to Michele Quaroni, Office Director in the Ministry of Foreign Affairs' Directorate for EU Integration. Quaroni largely echoed Francolini's points and added that the GOI is anxious for the United States and the EU to start negotiation on a second-stage agreement.

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